

7 CFR PARTS 250.3, 250.15(A)

## CHAPTER XI

### SERVICE AND HANDLING CHARGES

*The Food Distribution Program (FDP) is supported through the assessment of service and handling charges. Limited revenue is also provided through USDA State Administrative Expense funding. Neither federal nor state funds are provided to support the distribution of donated foods to recipient agencies.*

*Recipient agencies are assessed service and handling charges based on the number of cases of USDA-donated food they receive. The service and handling charges are established by the FDP and approved by the USDA each year. They are based on a projection of the amount of food expected to be available from the USDA and estimated operating costs for the FDP. **Service and handling charges are subject to change at any time.***

#### SERVICE AND HANDLING CHARGE LEVELS

- Recipient agencies that receive their donated food through the standard offering and delivery system are charged the basic service and handling charge.
- Agencies that elect to pick up their food from the FDP distribution center are given a 15-percent discount from the basic service and handling charge.
- Agencies that receive shipment direct from USDA suppliers (see Section 4 for information on receiving direct shipments) and agencies that have donated food diverted to commercial food processors (see Section 8 for information on diverting food to processors) are assessed a lower service and handling charge.

The lower rates reflect the savings to the FDP from not having to receive, handle, store, and deliver the donated food.

## **A. METHOD OF DETERMINING SERVICE AND HANDLING CHARGES**

*The following factors help determine the service and handling charges imposed by the FDP:*

### **Costs**

Costs include salaries for the staff required to administer the program; overhead, such as warehouse and office space, delivery trucks, and related transportation costs; charges from commercial carriers; and commercial storage costs and other operational overhead.

### **Unit Charges**

Projected annual costs are divided by the number of cases (bags, balers, etc.) of donated food expected to be received from the USDA to determine the unit charge for service and handling.

### **Charge Adjustments**

As both the operating costs and the amount of donated food that pass through the distribution system vary from year to year, the actual charge for service and handling will also vary from year to year. Each year, the Food Distribution Program Section presents to the USDA its proposed service and handling charge, showing justification for the amount requested. Only after the USDA approves the amount are the service and handling charges adjusted.

### **Flat Rates**

For ease of computation, a flat rate is assessed on all food items, regardless of variations in storage costs for or market values of different kinds of foods.

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## **B. PAYMENTS OF INVOICES**

*After the order is put into batches for shipment, and the bill of lading has been prepared, the agency will be invoiced for service and handling charges.*

Service and handling charges are due and payable upon receipt of the shipment. Make payments to:

California Department of Education  
1430 N Street, Room 1500  
Sacramento, CA 95814

To ensure that a payment is properly applied, the agency must include the yellow remittance advice with its payment.

Also, the number(s) of the invoice(s) being paid must be on the face of the check.

Service and handling charges are overdue 60 days after the date of the invoice.

### **C. PAYMENT OF DELINQUENT INVOICES**

**Invoices for service and handling charges are due and payable on receipt.** If the invoice amount is incorrect according to the agency's records, the agency should call the FDP distribution center immediately for an explanation and correction, if necessary.

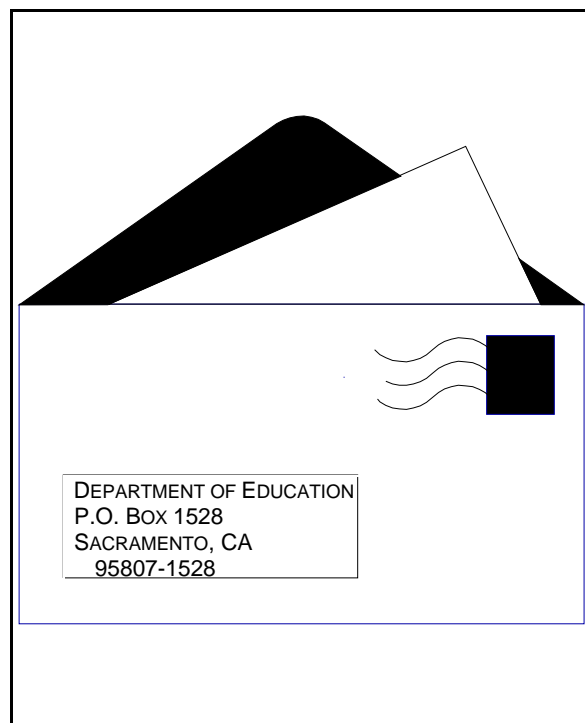
After 30 days, an agency will receive a past due notice requesting payment within 30 days from the date of the notice.

After 90 days, an agency will receive a letter listing all overdue invoices by number and date and indicating that suspension will be forthcoming if payment is not made immediately. Until payment is made, the agency will not be able to receive donated foods.

After 120 days, the agency may be suspended from participation if payment has not been made.

An agency that has been suspended for nonpayment of service and handling charges, is habitually 90 days in arrears on payments, or has made a payment with an uncollectable check, will be placed on probation for a period of 12 months.

During this period, the agency will be required to pay the full service and handling charges in advance. A certified check or money order will have to accompany each offering returned to the distribution center. **There will be no makeup of offerings not shipped because of nonpayment.**



***Please pay invoices promptly, because slow payment may result in suspension of food deliveries.***

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An agency can be reinstated to participate only through payment of outstanding invoices.